



**All Payer Hospital System Modernization
Payment Models Workgroup**

Meeting Agenda

April 5, 2018

9:00 am to 12:00 pm

Health Services Cost Review Commission

Conference Room 100

4160 Patterson Avenue

Baltimore, MD 21215

- I Introductions and Meeting Overview
- II Medicare Monitoring through December
- III FY 2018 Update Factor
- IV FY 2019 PAU Presentation
- V Adjourn

**ALL MEETING MATERIALS ARE AVAILABLE AT THE MARYLAND ALL-PAYER HOSPITAL
SYSTEM MODERNIZATION TAB AT HSCRC.MARYLAND.GOV**

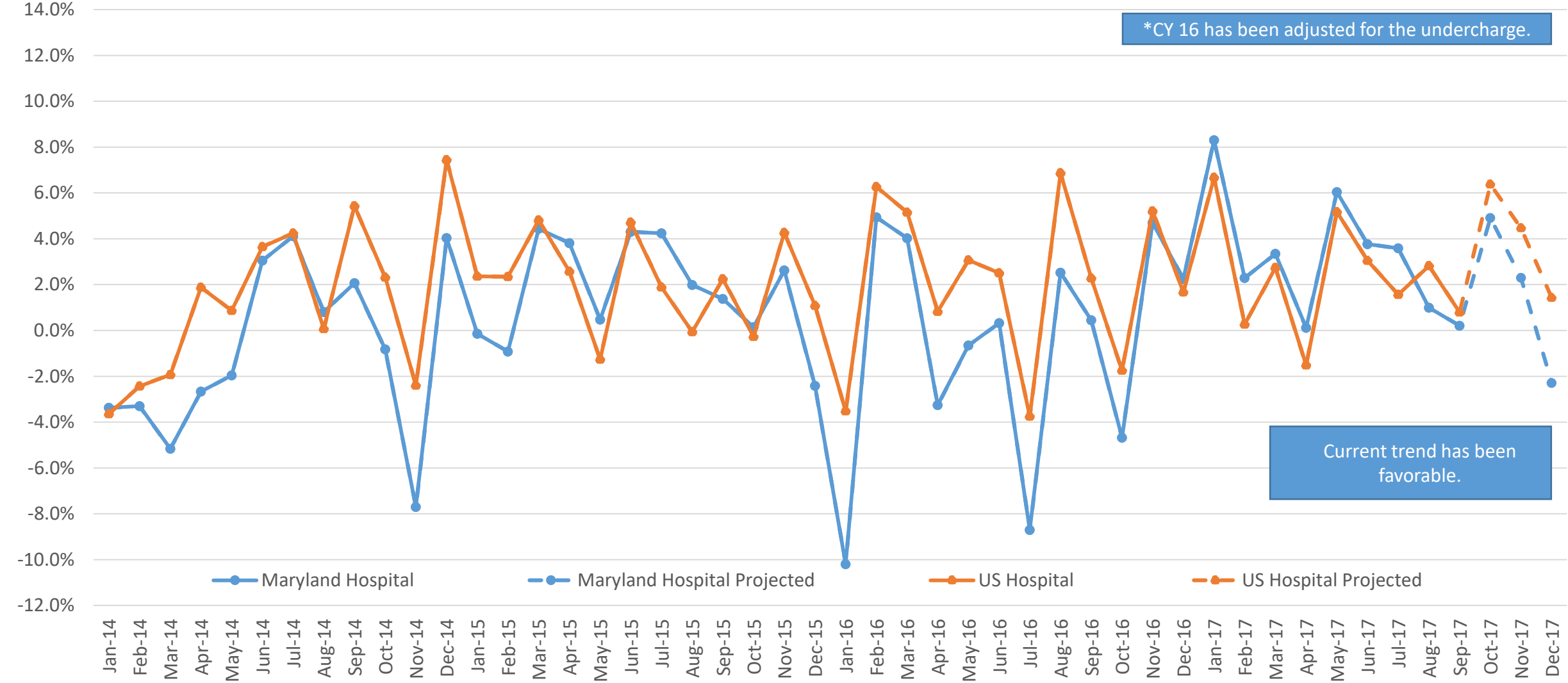
Update on Medicare Fee-for-Service (FFS) Data & Analysis

April 2018 Update using restated beneficiary data (CME database)
Data through December (CY16 Adjusted for the Undercharge)
Claims paid through February

Data contained in this presentation represent analyses prepared by HSCRC staff based on data summaries provided by the Federal Government. The intent is to provide early indications of the spending trends in Maryland for Medicare FFS patients, relative to national trends. HSCRC staff has added some projections to the summaries. This data has not yet been audited or verified. Claims lag times may change, making the comparisons inaccurate. ICD-10 implementation and EMR conversion could have an impact on claims lags. These analyses should be used with caution and do not represent official guidance on performance or spending trends. These analyses may not be quoted until public release.

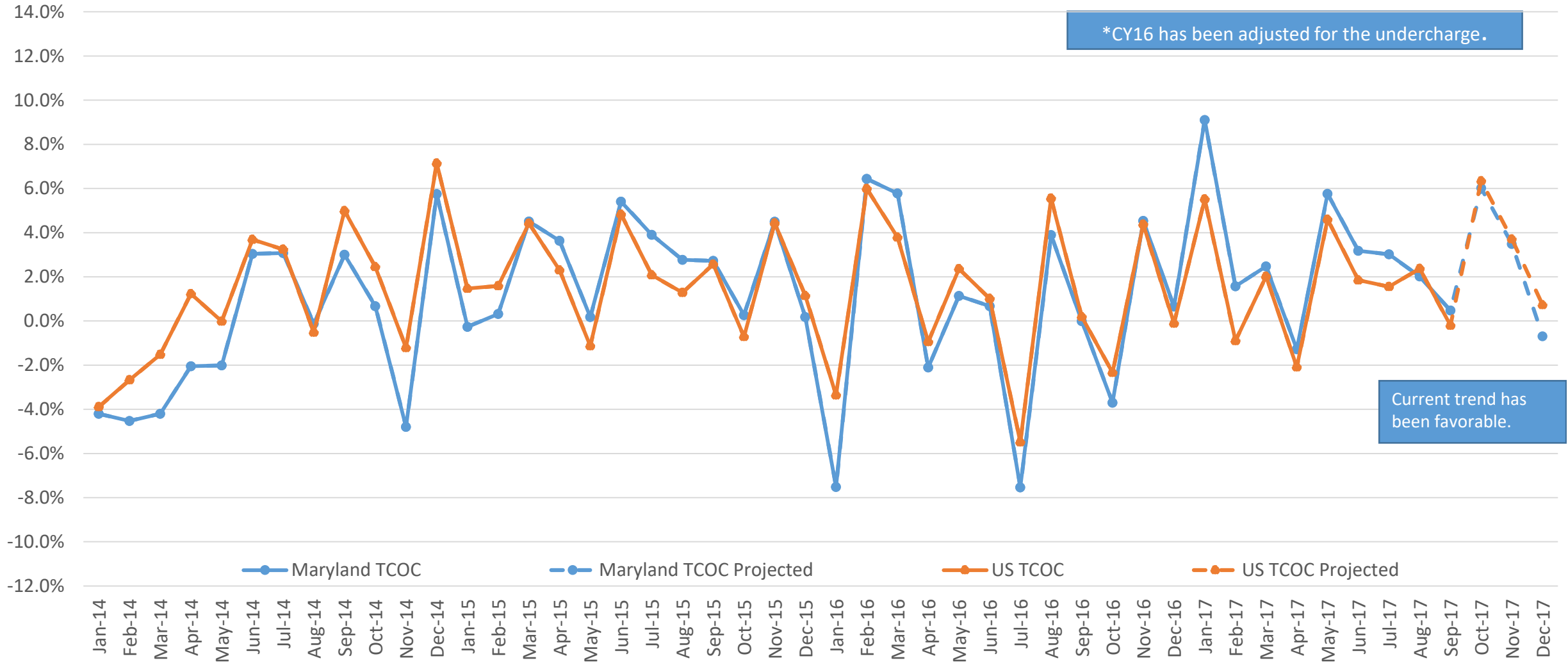
Medicare Hospital Spending per Capita

Actual Growth Trend (CY month vs. prior CY month)



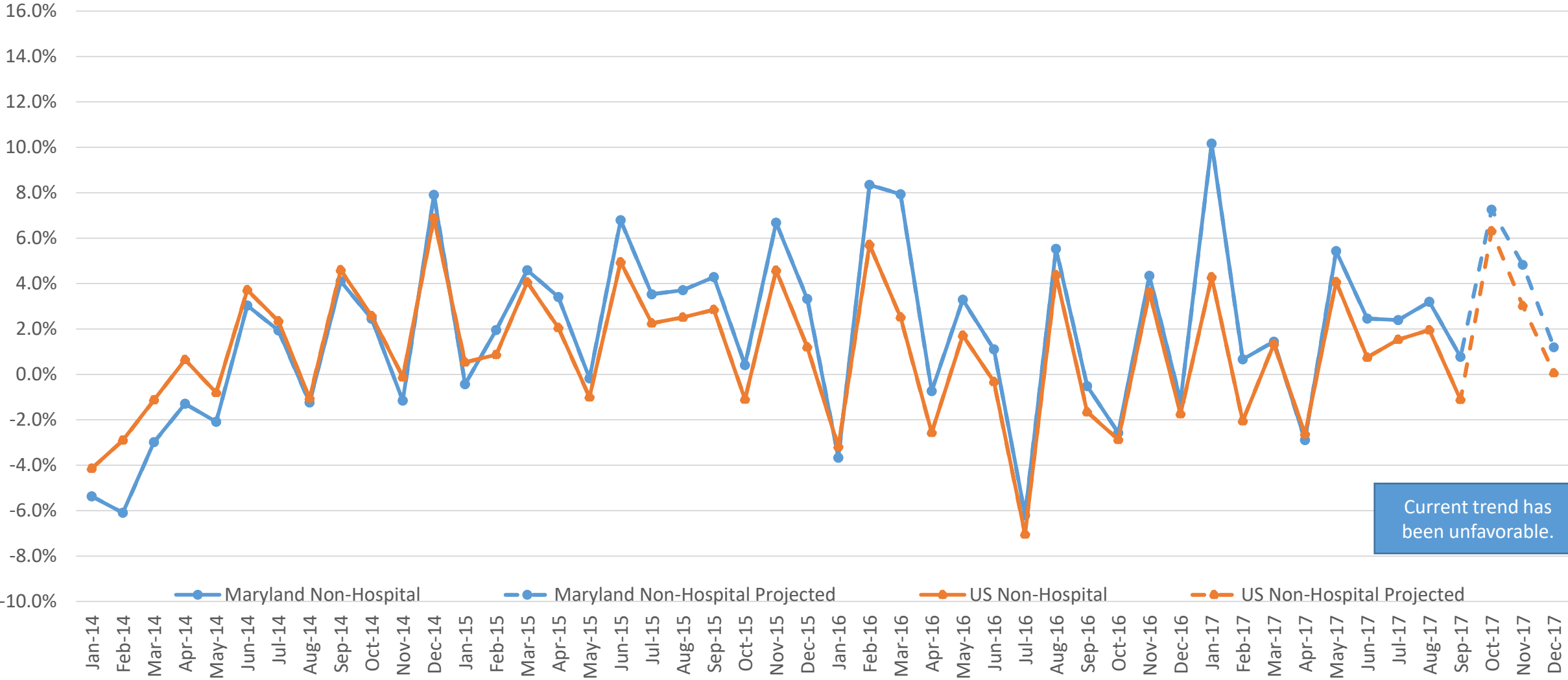
Medicare Total Cost of Care per Capita

Actual Growth Trend (CY month vs. prior CY month)



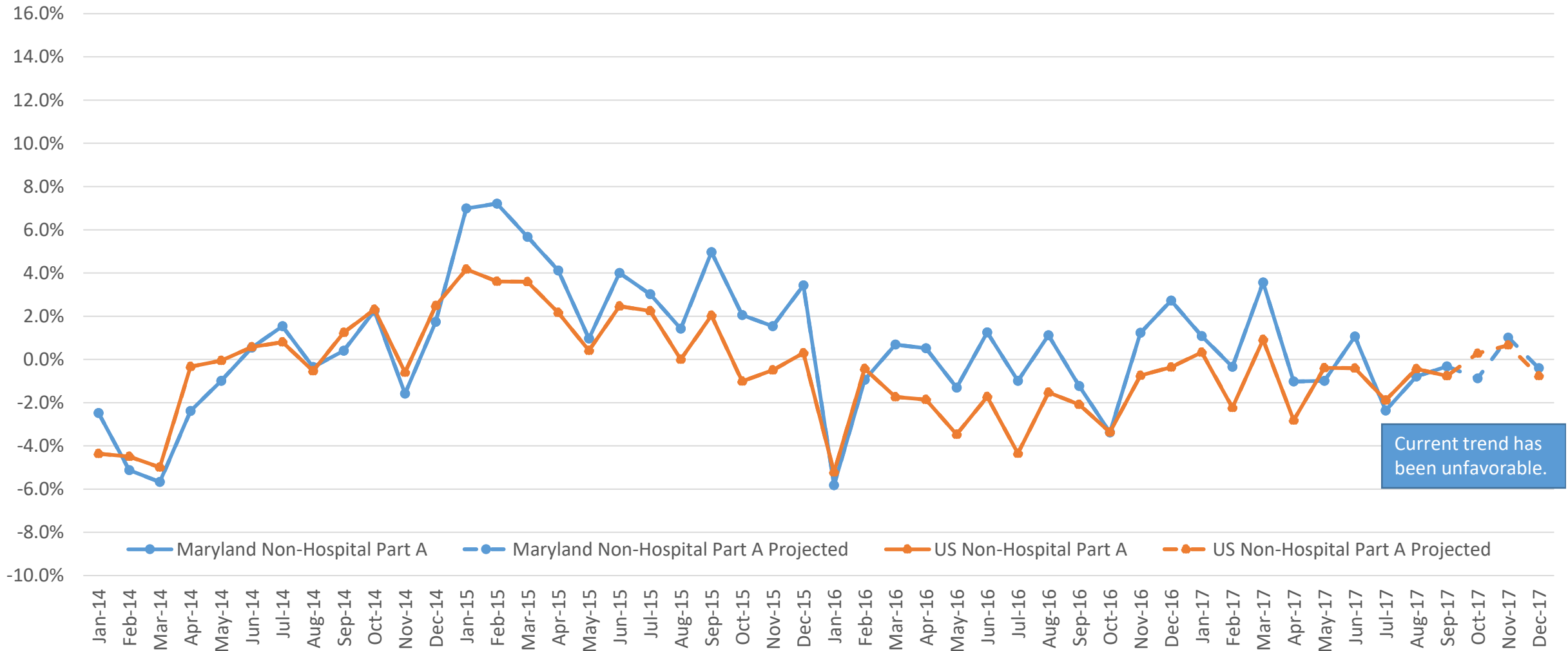
Medicare Non-Hospital Spending per Capita

Actual Growth Trend (CY month vs. prior CY month)



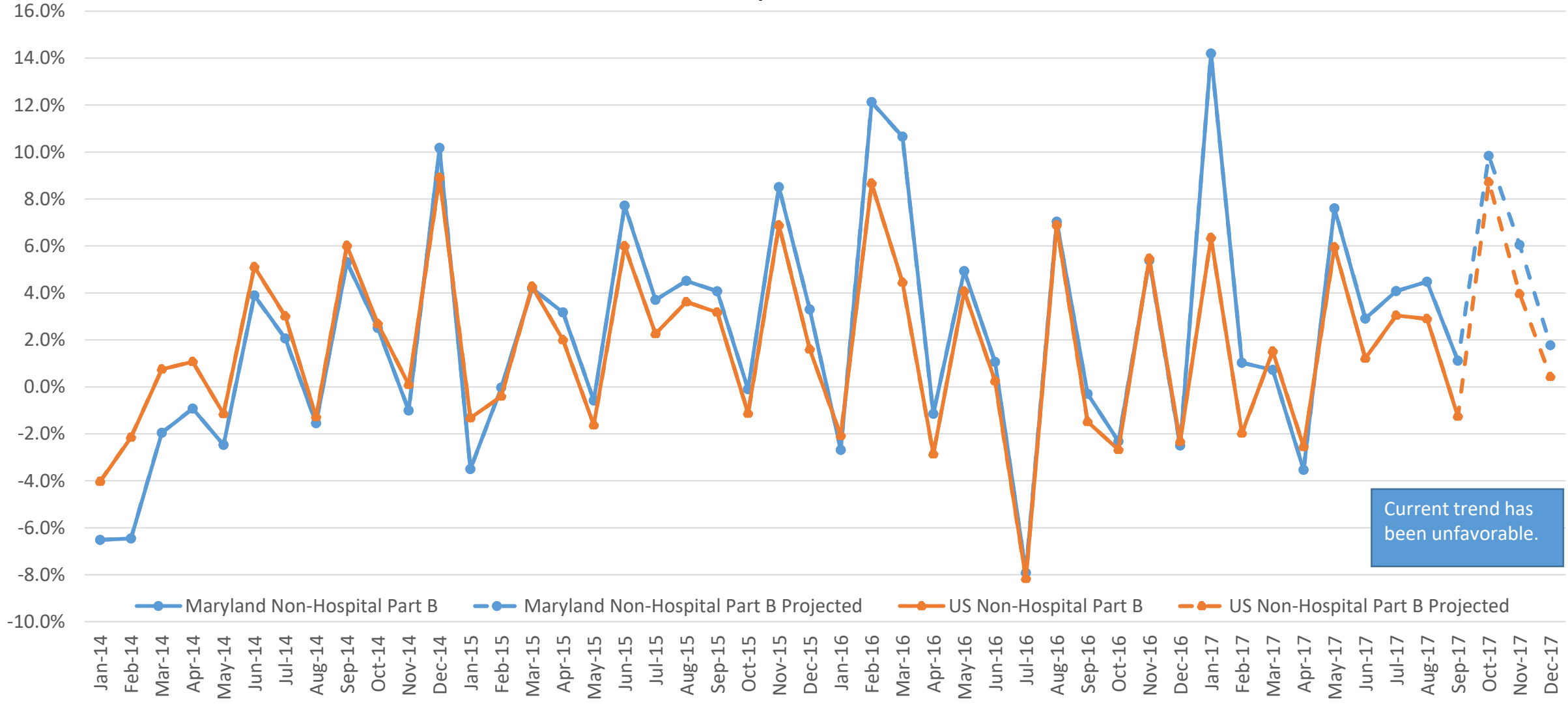
Medicare Non-Hospital Part A Spending per Capita

Actual Growth Trend (CY month vs. prior CY month)



Medicare Non-Hospital Part B Spending per Capita

Actual Growth Trend (CY month vs. prior CY month)



MARYLAND SPENDING PER BENEFICIARY Jan-Dec Paid thru Jan-18

Provider Type	BETOS	2016 YTD Spend	2016 YTD Spend per Capita	2017 YTD Spend	2017 YTD Spend per Capita	% Util Change 17 vs 16	% Unit Cost Change 17 vs 16	% per Capita Change 17 vs 16	5% NATIONAL % Util Change 17 vs 16	5% NATIONAL % Unit Cost Change 17 vs 16	5% NATIONAL % per Capita Change 17 vs 16	2017 YTD Excess Growth 17 vs 16
Inpatient		\$3,457,967,114	\$4,033.38	\$3,585,319,790	\$4,138.35	-3.6%	6.4%	2.6%	-1.6%	3.3%	1.6%	\$34,460,145
SNF		\$637,525,453	\$743.61	\$616,303,596	\$711.37	-6.3%	2.0%	-4.3%	-3.8%	3.0%	-0.9%	(\$21,945,551)
Home Health		\$297,277,866	\$346.75	\$313,857,896	\$362.27			4.5%			-1.0%	\$16,458,378
Hospice		\$195,397,754	\$227.91	\$219,111,707	\$252.91	11.7%	-0.7%	11.0%	3.8%	1.2%	5.0%	\$11,776,529
Total Part A Spend		\$4,588,168,187	\$5,351.65	\$4,734,592,989	\$5,464.90			2.1%			1.2%	\$40,749,501
Part A Beneficiaries		857,336		866,364								
Outpatient		\$1,486,997,267	\$1,999.01	\$1,568,530,662	\$2,100.60			5.1%			7.7%	(\$39,480,980)
	Evaluation & Management	\$306,504,396	\$412.04	\$323,026,183	\$432.60	0.3%	4.7%	5.0%	0.5%	3.3%	3.8%	\$3,078,588
	Part B Rx	\$252,540,823	\$339.50	\$269,539,541	\$360.97	7.7%	-1.3%	6.3%	2.0%	16.8%	19.2%	(\$26,999,711)
	Lab	\$150,442,087	\$202.24	\$163,365,810	\$218.78	1.9%	6.2%	8.2%	-0.7%	1.3%	0.6%	\$9,478,858
	Imaging	\$156,961,892	\$211.01	\$162,129,216	\$217.13	-5.3%	8.7%	2.9%	-6.1%	11.2%	4.4%	(\$1,983,037)
	Other Professional	\$176,020,578	\$236.63	\$172,910,324	\$231.56	-5.1%	3.2%	-2.1%	1.1%	10.8%	12.0%	(\$20,655,466)
	Proc-Minor	\$94,527,928	\$127.08	\$105,072,178	\$140.71	-0.2%	10.9%	10.7%	1.1%	19.3%	20.7%	(\$7,774,969)
	DME	\$35,786,058	\$48.11	\$43,522,937	\$58.29	11.5%	8.6%	21.2%	-1.0%	42.7%	41.3%	(\$5,966,235)
	Proc-Ambulatory	\$49,533,178	\$66.59	\$49,978,961	\$66.93	-9.4%	10.9%	0.5%	-3.5%	8.6%	4.9%	(\$1,783,280)
	Proc-Major Cardiology	\$65,570,190	\$88.15	\$67,290,158	\$90.12	-5.4%	8.1%	2.2%	-11.3%	9.5%	-2.8%	\$2,745,423
	Proc-Major Other	\$39,779,818	\$53.48	\$45,370,938	\$60.76	3.4%	9.9%	13.6%	1.5%	9.7%	11.3%	\$773,958
	Proc-Eye	\$15,563,250	\$20.92	\$15,664,735	\$20.98	-20.3%	25.8%	0.3%	-3.1%	4.4%	1.1%	(\$109,170)
	Proc-Endocrinology	\$48,015,219	\$64.55	\$51,113,146	\$68.45	1.3%	4.7%	6.0%	-0.6%	3.3%	2.7%	\$1,349,897
	Proc-Major Orthopaedic	\$8,542,894	\$11.48	\$10,241,151	\$13.72	18.6%	0.7%	19.4%	20.9%	7.4%	29.9%	(\$738,740)
	Proc-Oncology	\$86,542,836	\$116.34	\$88,644,622	\$118.71	3.8%	-1.7%	2.0%	5.1%	1.2%	6.3%	(\$3,080,509)
	Proc-Dialysis	\$666,121	\$0.90	\$660,762	\$0.88	19.8%	-17.5%	-1.2%	-10.9%	-20.8%	-29.4%	\$155,849
ESRD		\$196,078,072	\$263.59	\$203,879,016	\$273.04	1.6%	1.9%	3.6%	-2.3%	3.9%	1.4%	\$4,234,361
Outpatient Other		\$106,527,338	\$143.21	\$114,841,294	\$153.80	3.1%	4.2%	7.4%	-0.3%	6.7%	6.3%	\$1,171,931
Clinic		\$13,766,782	\$18.51	\$13,940,618	\$18.67	-0.7%	1.6%	0.9%	6.2%	4.5%	10.9%	(\$1,391,710)
Professional Claims		\$2,536,516,835	\$3,409.90	\$2,657,549,848	\$3,559.04			4.4%			2.2%	\$54,442,858
	Evaluation & Management	\$848,750,984	\$1,141.00	\$870,276,176	\$1,165.49	-4.5%	7.0%	2.1%	-3.3%	4.2%	0.8%	\$11,545,632
	Part B Rx	\$344,360,077	\$462.93	\$390,258,535	\$522.64	0.0%	12.9%	12.9%	-0.7%	5.8%	5.1%	\$27,024,950
	Lab	\$234,561,791	\$315.33	\$247,794,164	\$331.85	0.4%	4.8%	5.2%	-0.1%	4.4%	4.3%	\$2,212,844
	Imaging	\$228,543,428	\$307.24	\$244,749,339	\$327.77	-1.8%	8.6%	6.7%	-2.6%	6.0%	3.2%	\$7,899,066
	Other Professional	\$146,972,662	\$197.58	\$152,659,721	\$204.44	-11.4%	16.8%	3.5%	-7.0%	9.9%	2.2%	\$1,929,187
	Proc-Minor	\$145,886,530	\$196.12	\$162,452,955	\$217.56	4.1%	6.5%	10.9%	3.4%	5.0%	8.7%	\$3,317,868
	DME	\$112,259,300	\$150.91	\$111,324,387	\$149.09	-5.3%	4.4%	-1.2%	-2.5%	2.4%	-0.2%	(\$1,173,375)
	ASC	\$104,885,057	\$141.00	\$111,352,871	\$149.13	0.5%	5.2%	5.8%	1.1%	6.7%	7.9%	(\$2,247,814)
	Proc-Ambulatory	\$72,324,041	\$97.23	\$70,794,801	\$94.81	1.5%	-3.9%	-2.5%	2.9%	-2.7%	0.1%	(\$1,888,924)
	Proc-Major Cardiology	\$68,153,155	\$91.62	\$61,738,029	\$82.68	-8.7%	-1.2%	-9.8%	-8.3%	-3.9%	-11.9%	\$1,446,596
	Proc-Major Other	\$60,731,022	\$81.64	\$60,521,234	\$81.05	1.5%	-2.2%	-0.7%	2.4%	-3.1%	-0.8%	\$44,724
	Proc-Eye	\$42,343,204	\$56.92	\$42,457,802	\$56.86	2.6%	-2.6%	-0.1%	3.0%	-2.5%	0.4%	(\$201,939)
	Proc-Endocrinology	\$35,361,873	\$47.54	\$34,590,950	\$46.32	-0.2%	-2.4%	-2.6%	0.7%	-2.4%	-1.8%	(\$270,145)
	Proc-Major Orthopaedic	\$36,478,141	\$49.04	\$36,634,843	\$49.06	2.9%	-2.8%	0.0%	3.2%	-1.1%	2.0%	(\$723,537)
	Proc-Oncology	\$34,381,247	\$46.22	\$39,190,585	\$52.48	4.8%	8.4%	13.6%	-1.7%	0.6%	-1.2%	\$5,091,509
	Proc-Dialysis	\$20,524,322	\$27.59	\$20,753,455	\$27.79	1.8%	-1.1%	0.7%	0.7%	-0.5%	0.1%	\$122,709
Total Part B Spend		\$4,339,886,293	\$5,834.21	\$4,558,741,437	\$6,105.15			4.6%			4.0%	\$18,976,460
Part B Beneficiaries		743,868		746,705								
Total Spend		\$8,928,054,480	\$11,185.87	\$9,293,334,426	\$11,570.05			3.4%			2.6%	\$59,725,961

Balanced Update Model for Discussion

Components of Revenue Change Linked to Hospital Cost Drivers/Performance

			Weighted Allowance
Adjustment for Inflation			1.99%
- Total Drug Cost Inflation for All Hospitals*			0.24%
Gross Inflation Allowance (2.57 less .34 forecast adjustment)	A		2.23%
 Care Coordination			
-Rising Risk With Community Based Providers			
-Complex Patients With Regional Partnerships & Community Partners			
-Long Term Care & Post Acute			
	B		
Adjustment for volume	C		0.46%
-Demographic Adjustment (0.24%)			
-Transfers			
-Categoricals [net amount available for Hopkins/UMMS: 0.22%]			
-Drug Population/Utilization			
Other adjustments (positive and negative)			
- Set Aside for Unknown Adjustments	D	0.25%	
- Medicare Performance Adjustment (Future Use)	E	0.00%	
Net Other Adjustments	F =	Sum of D thru E	0.25%
-Reversal of one-time adjustments for drugs	G	0.00%	
-Reverse prior year's PAU savings reduction	H	1.45%	
-PAU Savings	I	-1.65%	
-Reversal of prior year quality incentives	J	-0.25%	
-QBR, MHAC, Readmissions			
-Positive incentives & Negative scaling adjustments	K	-0.16%	
Adjustments in Second Half of Fiscal Year 19	L		
-QBR, Oncology Drug Adjustment			
Net Quality and PAU Savings	M =	Sum of G thru L	-0.61%
Net increase attributable to hospitals	N =	Sum of A + B + C + F + M	2.33%
Per Capita	O =	(1+N)/(1+0.46%)	1.86%
<u>Components of Revenue Offsets with Neutral Impact on Hospital Financial Statements</u>			
-Uncompensated care reduction, net of differential	P		-0.32%
-Deficit Assessment	Q =		-0.16%
Net decreases	R =	P+ Q	-0.48%
Revenue growth, net of offsets	S =	N + R	1.85%
Per capita revenue growth	T =	(1+S)/(1+0.46%)	1.38%

* Provided Based on proportion of drug cost to total cost (drug index 4.5% X 5.4% national weight)

Revenue Scenarios

Step 1:		
Approved GBR FY 2018		17,157,350,349
Actual Revenue 7/1/17-12/31/17		8,421,055,533
Projected Revenue 1/1/18-6/30/18	A	8,736,294,816
Step 2:		
Estimated Approved GBR FY 2019		17,474,713,091
Permanent Update		1.85%
Step 3:		
Estimated Revenue 7/1/18-12/31/18 (after 49.73% & seasonality)		8,690,174,820
Change in Hopkins Payback		10,000,000
	B	8,700,174,820
Step 4:		
Estimated Revenue CY 2018	A+B	17,436,469,636
Increase over CY 2018 Revenue		2.23%

Maximum All-Payer Increase that will still produce the Desired FY 2019 Medicare Savings CY18 Scenarios presented

Maximum All-Payer Increase that will still produce the Desired FY 2019 Medicare

With Savings Goal

Maximum Increase that Can Produce Medicare Savings			
Medicare			
Medicare Growth (CY 2018 2.1%)	A	2.10%	
Savings Goal for FY 2019	B	-0.50%	
Maximum growth rate that will achieve savings (A+B)	C	1.60%	
Conversion to All-Payer			
Actual statistic between Medicare and All-Payer		0.86%	Recommendation:
Excess Growth for Non-Hospital Cost Relative to the Nation		-0.85%	Savings:
Net Difference Statistic Related to Total Cost of Care	D	0.01%	
Conversion to All-Payer growth per resident $(1+C)*(1+D)-1$	E	1.61%	1.38%
Conversion to total All-Payer revenue growth $(1+E)*(1+0.46%)-1$	F	2.08%	0.23%

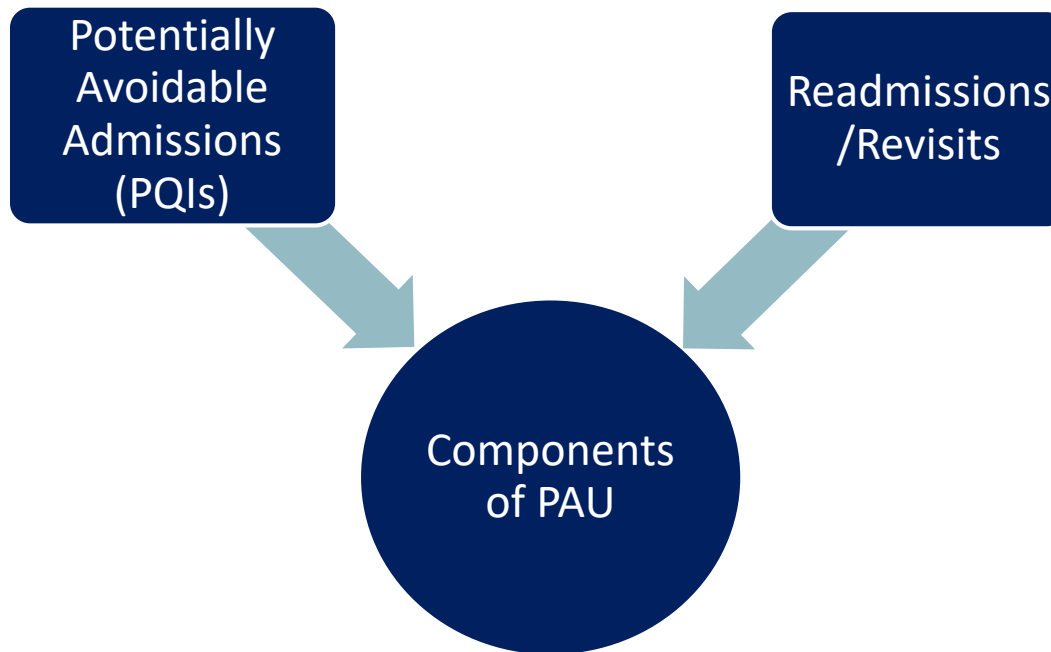
5 year	Excess Growth for Non-Hospital Cost
0.42%	0.85%

R
Y2019 Potentially Avoidable Utilization (PAU)
Savings Program (Preliminary)



PAU Concept

Definition: “Hospital care that is unplanned and can be prevented through improved care coordination, effective primary care and improved population health.”



HSCRC Calculates Percent of Revenue Attributable to PAU

Potentially Avoidable Utilization (PAU) Savings at a glance

▶ PAU Savings Concept

- ▶ The Global Budget Revenue (GBR) system assumes that hospitals will be able to reduce their PAU as care transforms in the state
- ▶ The PAU Savings Policy prospectively reduces hospital GBRs in anticipation of those reductions

▶ Mechanism

- ▶ Statewide reduction is scaled for each hospital based on the percentage of PAU revenue received at the hospital in a prior year
 - ▶ Hospitals with higher than average PAU revenue will have a larger reduction than the statewide average
 - ▶ Hospitals with lower PAU will have a smaller reduction

RY2019 PAU Savings (Preliminary)

- ▶ Set the value of the PAU savings amount to 1.65 percent of total permanent revenue in the state, which is a 0.20 percent net reduction compared to RY2018.
- ▶ Continue to cap the PAU savings reduction at the statewide average reduction for hospitals with higher socio-economic burden
 - ▶ May consider phasing down of PAU protection in future years
- ▶ Work with Performance Measurement Work Group and others to expand and adjust PAU measure starting in CY2019.

RY 2019 PAU Savings State-Wide Calculation (preliminary)

Statewide Results		Value		
RY 2018 Total Approved Permanent Revenue	A	\$16.5 billion		
Total RY18 PAU %	B	10.82%		
Total RY18 PAU \$	C	\$1.75 billion		
Statewide Total Calculations		Total	Last year	Net
RY 2018 Revenue Adjustment %	D	-1.65%	-1.45%	-0.20%
RY 2018 Revenue Adjustment \$	E=A*D	-\$272.8 million	-\$22.48 million	-\$44.3 million

